

LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

301 State House
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FISCAL IMPACT STATEMENT

LS 7040

BILL NUMBER: HB 1986

DATE PREPARED: Dec 31, 2000

BILL AMENDED:

SUBJECT: Neighborhood Assistance Tax Credit.

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FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State & Local

STATE IMPACT	FY 2001	FY 2002	FY 2003
State Revenues		(2,500,000)	(2,500,000)
State Expenditures			
Net Increase (Decrease)		(2,500,000)	(2,500,000)

Summary of Legislation: This bill increases the annual limit on Neighborhood Assistance Tax Credits from \$2,500,000 to \$5,000,000.

Effective Date: January 1, 2002.

Explanation of State Expenditures: The Neighborhood Assistance Program (NAP) is administered by the Department of Commerce. The Department would not incur a significant increase in administrative costs as a result of this proposal.

Explanation of State Revenues: *Direct Impact:* NAP tax credits are awarded via nonprofit organizations to taxpayers contributing to various community projects in economically disadvantaged areas. Businesses investing in NAP projects can receive a credit against their state tax liability equal to 50% of their contribution, although a single taxpayer cannot receive more than \$25,000 in credits each taxable year. The credit can be applied to the gross income tax, the adjusted gross income tax, or the supplemental net income tax. The total amount of credits that may be awarded is currently capped at \$2,500,000. This bill would increase the cap by 100% to \$5,000,000 beginning in FY 2000.

This bill could decrease state revenues by a maximum amount of \$2,500,000. However, it is not known if

all additional credits would be used. In past years, requests for NAP credits have typically exceeded the cap. The Department of Commerce received requests for a total of \$4,968,432 in credits for FY 2000 (\$2,468,432 more than the current cap).

Income tax revenue is deposited in the state General Fund and Property Tax Replacement Fund.

Secondary Impact: If the additional NAP credits help develop community projects that would not have otherwise occurred, the state should experience some indirect positive impacts. Additional jobs could be created, increasing revenue from the income tax and taxes generated by the employees' purchases.

Explanation of Local Expenditures:

Explanation of Local Revenues: If the additional credits result in community projects that would not have taken place without the cap increase, local entities should also experience secondary positive impacts. Most local units would benefit from increased property tax revenue from new housing, and counties with a local option income tax should benefit from greater employment.

State Agencies Affected: Department of Commerce.

Local Agencies Affected: Local units where NAP credits are awarded.

Information Sources: Division of Research, Department of Commerce.